

State of Idaho

Endowment Fund Investment Board

Quarterly Investment Report for June 2006



August 7th, 2006



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General Plan Statement

- RBC Dain Rauscher believes that the current status of the State of Idaho Endowment Fund is satisfactory based upon the goals and policies outlined in its various mandates.
- The overall portfolio is performing well, with all managers above their benchmark and/or peer group for the 3-year trailing period*, except for Marvin & Palmer and Oppenheimer.
- The current allocation of the portfolio is within acceptable parameters outlined in the Statement of Investment Policy.

Concerns Going forward

- Oppenheimer: As stated in the previous quarter, Oppenheimer is on watch for underperformance since inception. Oppenheimer's performance for the most recent quarter was poor, however fiscal year performance places them in the 31st percentile.
- Marvin & Palmer: Performance continues to lag that of the index, both on a most recent quarter and fiscal year basis. Marvin & Palmer is successfully using their market awareness tool to minimize negative volatility.
- Mastrapasqua: The firm experienced staff turnover and underperformed for the quarter. In addition, the product is they are trailing its benchmark on a fiscal year basis.

Overall Recommendations

- Recommend Oppenheimer and Marvin & Palmer remain on the watch list.
 - If performance continues to improve over next 3 months, examine possibility of managers being removed from the watch list.
- Recommend Mastrapasqua be placed on the watch list.

*Composites used if accounts not older than 3 years

Objectives - Three Years	Compliant?	Comments
Maintain purchasing power (3-year trailing)	Yes	12.1% vs. CPI: 4.3%
Achieve smooth and predictable spending	Yes	Corpus growth over 3yr

Guidelines		
Prohibited investment guidelines followed	Yes	All managers adhered to policy
Fixed income instruments are investment grade	Yes	100%
Money Market instruments are investment grade	Yes	100%

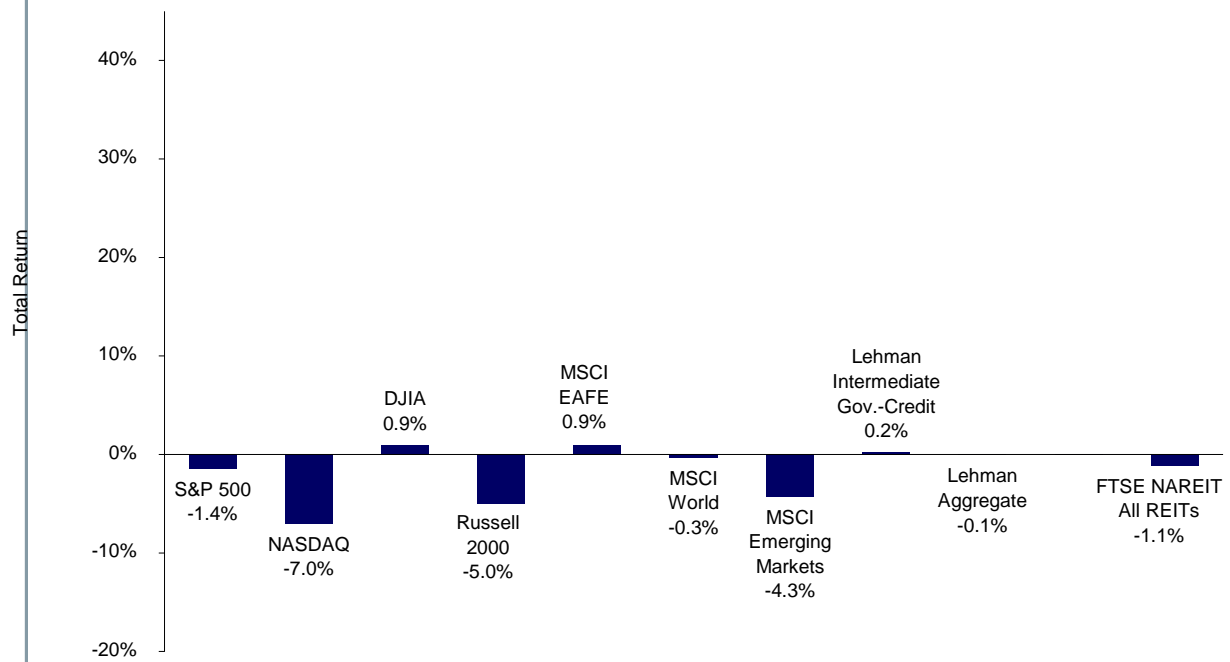
Asset Allocation	Yes	Policy Maintained	
Category	Range	Target	Actual
Equities	60%-80%	70%	71.6%
Domestic	50%-60%	56%	55.7%
Large cap	30%-45%	39%	37.1%
Mid cap	8%-14%	11%	12.0%
Small cap	3%-9%	6%	6.6%
International	10%-20%	14%	15.9%
Fixed Income	25%-35%	30%	27.5%
Cash and Equivalents	0%-5%	0%	0.9%

Rebalancing		
Applied when appropriate	Yes	

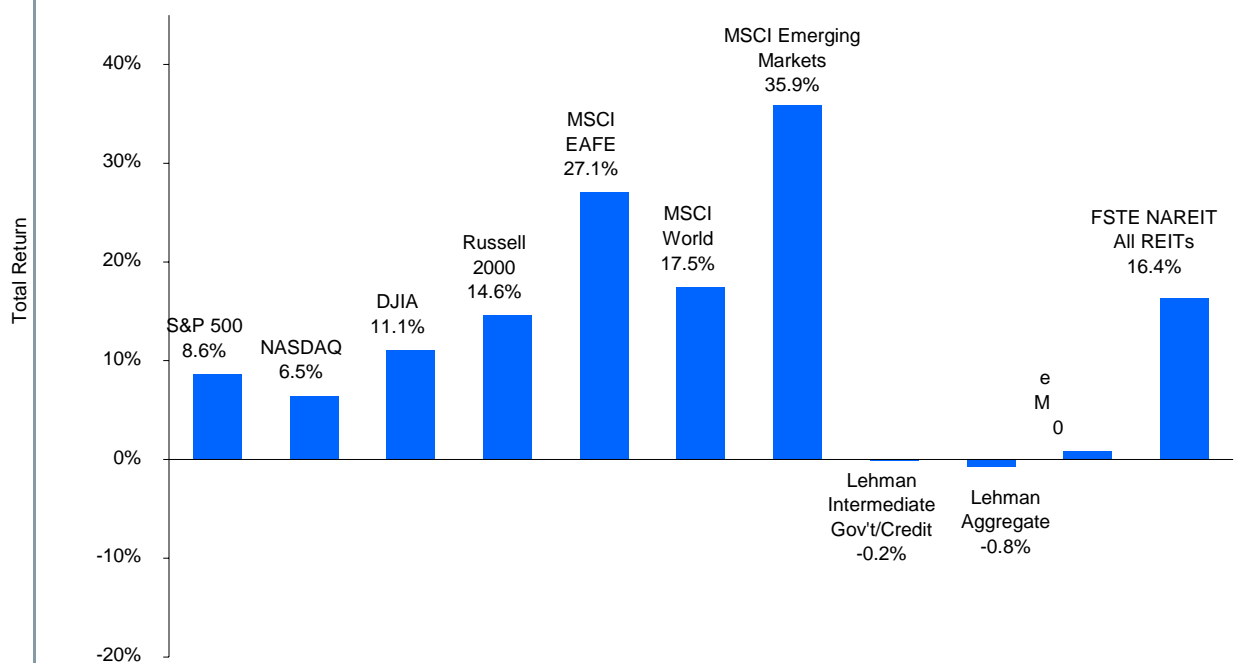
Performance*		
Managers remain in specified style	Yes	No style drift occurred
Managers above median/indices for rolling three years	No	See Notes

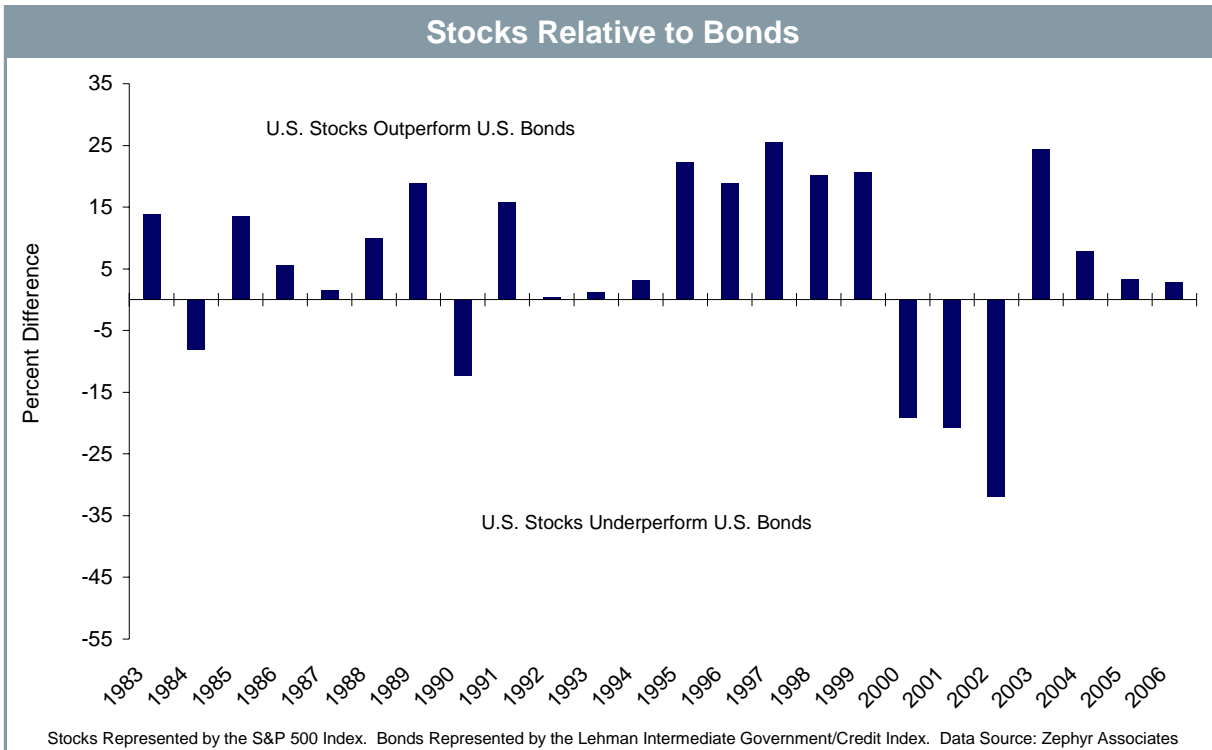
Notes: Managers w/ three years history include Met West, Oppenheimer, Systematic, Marvin & Palmer, & Nicholas Applegate, all were either above peer group or index for the 3-year period except for Marvin & Palmer & Oppenheimer. Managers w/o three years of history include Intech, Sands, LSV, Mastrapasqua, NWQ, and Barrow Hanley. Manager composites for LSV, Intech, Sands, Barrow Hanley, and NWQ are all above their respective benchmarks and/or peer group medians for the 3-year trailing time period. Mastrapasqua's mid growth strategy has an inception of 05/31/05.

Market Returns: Most Recent Quarter

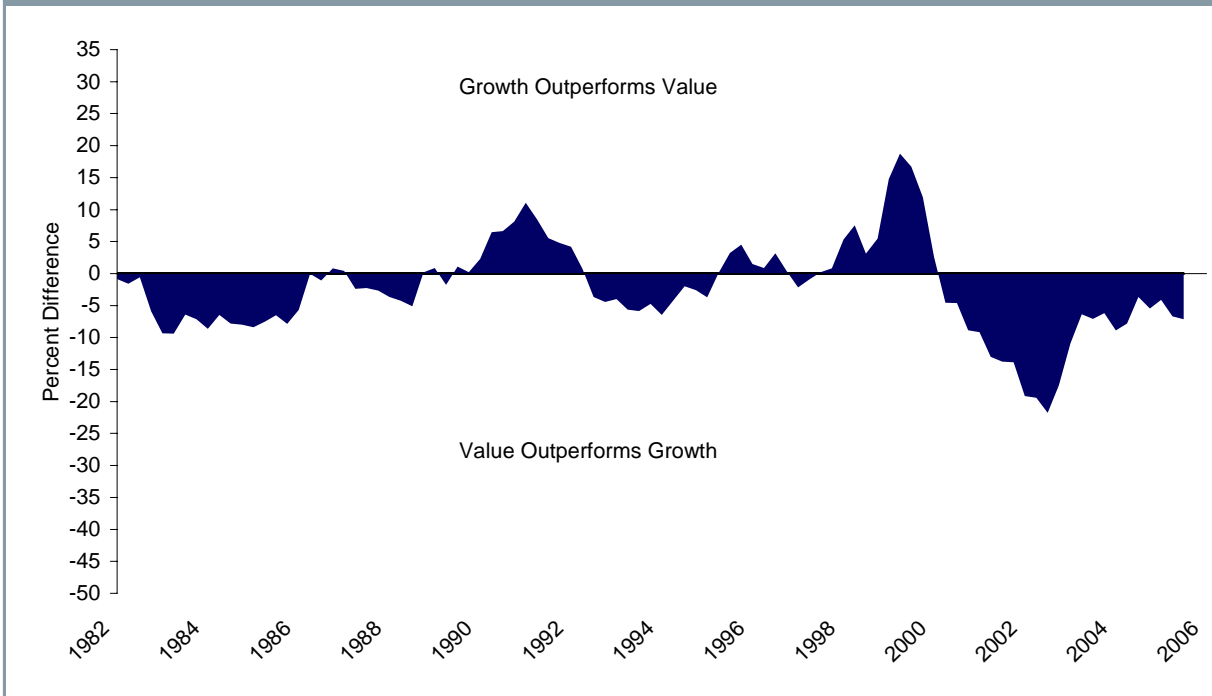


Market Returns: One Year

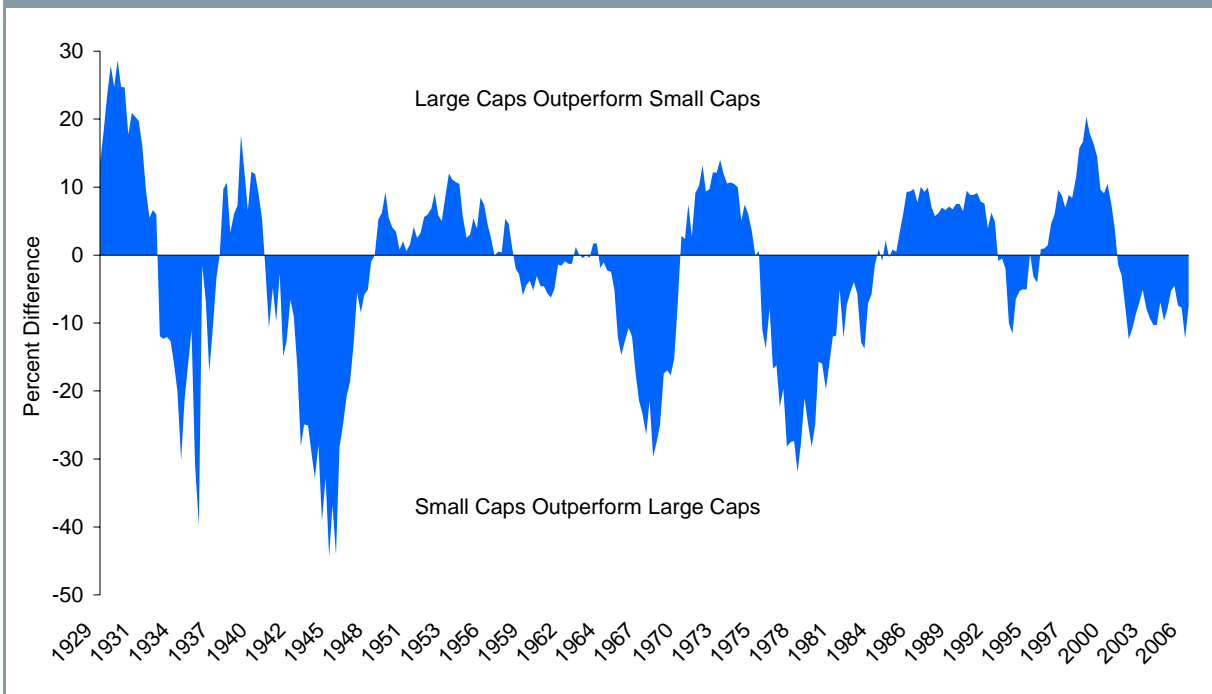




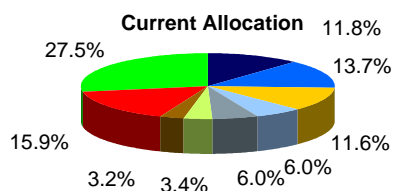
Growth vs. Value: 3 year Trailing



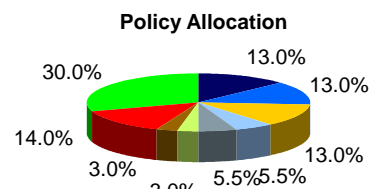
Small Cap vs. Large Cap: 3 year Trailing



	Market Value	% of Total Portfolio	Actual Weight	Policy Weight
Domestic Equity: Large Core			11.8%	13.0%
Northern S&P 500	\$ 111,848,485	11.8%		
Domestic Equity: Large Value			13.7%	13.0%
Metropolitan West	\$ 61,640,787	6.5%		
LSV	\$ 60,829,408	6.4%		
Northern Russell 1000 Value	\$ 6,897,165	0.7%		
Domestic Equity: Large Growth			11.6%	13.0%
INTECH	\$ 52,097,998	5.5%		
Sands Capital Management	\$ 47,068,629	5.0%		
Northern Russell 1000 Growth	\$ 10,462,317	1.1%		
Domestic Equity: Mid Value			6.0%	5.5%
Oppenheimer	\$ 31,729,947	3.4%		
Systematic	\$ 24,738,016	2.6%		
Domestic Equity: Mid Growth			6.0%	5.5%
Mastrapasqua	\$ 56,494,905	6.0%		
Domestic Equity: Small Value			3.4%	3.0%
Barrow Hanley	\$ 31,762,093	3.4%		
Domestic Equity: Small Growth			3.2%	3.0%
Nicholas Applegate	\$ 30,131,812	3.2%		
International Equity			15.9%	14.0%
NWQ (Value)	\$ 75,992,094	8.0%		
Marvin & Palmer (Growth)	\$ 74,356,559	7.9%		
TOTAL EQUITY	\$ 676,050,215		71.6%	70.0%
Fixed Income				
Northern Lehman Aggregate	\$ 232,720,838	24.6%		
Northern TIPS	\$ 27,408,365	2.9%		
TOTAL FIXED INCOME	\$ 260,129,203		27.5%	30.0%
Cash	\$ 7,188,833	0.8%		
Clearwater	\$ 1,176,663	0.1%		
TOTAL ACCOUNT**	\$ 944,544,914			100.0%



■ Domestic Equity: Large Core ■ Domestic Equity: Large Value
■ Domestic Equity: Large Growth ■ Domestic Equity: Mid Value
■ Domestic Equity: Mid Growth ■ Domestic Equity: Small Value
■ Domestic Equity: Small Growth ■ International Equity
■ Fixed Income



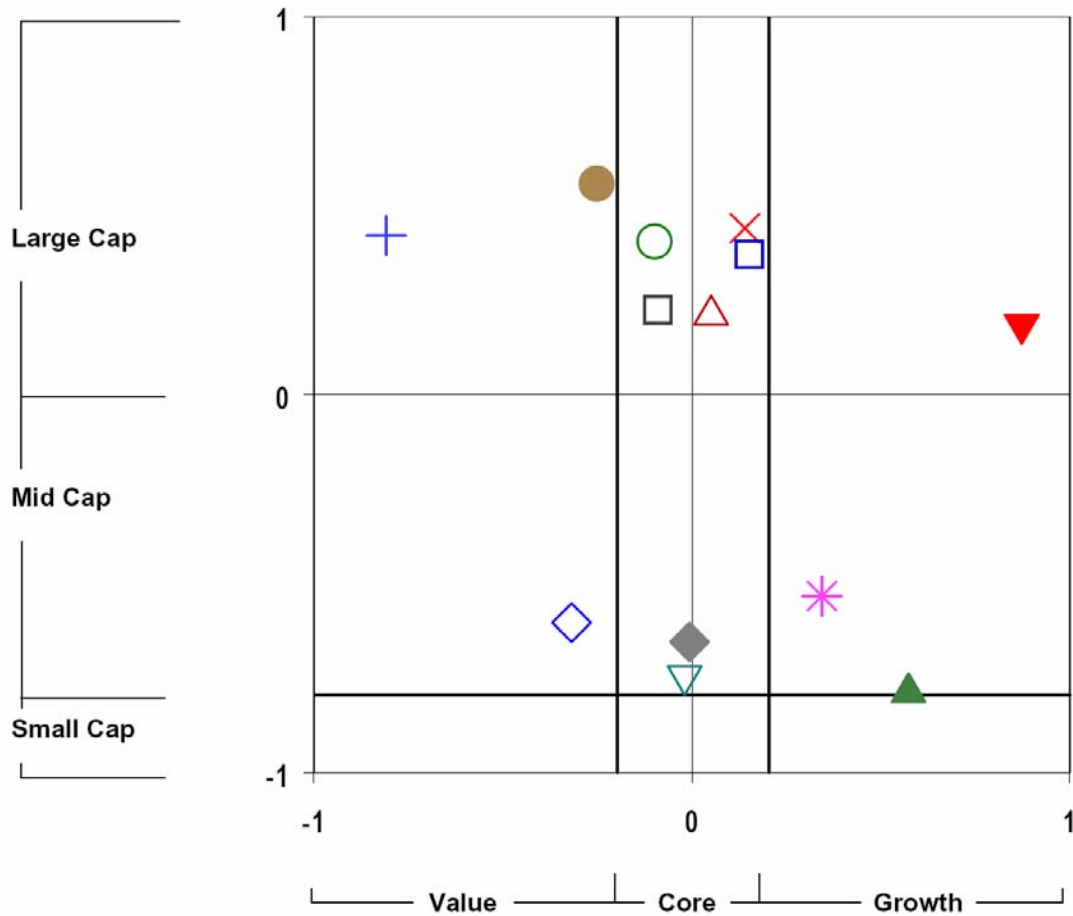
■ Domestic Equity: Large Core ■ Domestic Equity: Large Value
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■ Fixed Income

** includes Clearwater

Manager	Assets (Thousands)	Qtr	1 Year Trailing	3 Year Trailing	5 yr Trailing	Current Fees
Domestic Equity						
Large Cap Core						
Northern S&P 500	\$ 111,848	-1.4% (21)	8.7% (47)	11.2% (40)	2.4% (43)	0.04%
Large Core Median		-2.1%	8.5%	10.9%	2.1%	
S&P 500 Index		-1.4%	8.6%	11.2%	2.5%	
Large Cap Value						
Metropolitan West	\$ 61,641	2.7% (2)	22.7% (1)	24.9% (1)	11.0% (2)	0.42%
LSV	\$ 60,829	0.5% (28)	14.3% (13)	N/A	N/A	0.52%
Northern Russell 1000 Value	\$ 6,897	0.6% (25)	12.0% (25)	15.6% (18)	N/A	0.04%
Large Value Median		-0.1%	10.1%	13.0%	4.9%	
Russell 1000 Value		0.6%	12.1%	15.7%	6.9%	
Large Cap Growth						
INTECH*	\$ 52,098	-4.5% (64)	6.9% (54)	N/A	N/A	0.50%
Sands Capital*	\$ 47,069	-7.6% (97)	2.7% (84)	N/A	N/A	0.75%
Northern Russell 1000 Growth	\$ 10,462	-3.9%	6.2%	8.5%	N/A	0.04%
Large Growth		-3.9%	7.3%	9.9%	1.0%	
Russell 1000 Growth		-3.9%	6.1%	8.3%	-0.8%	
Mid Cap Value						
Oppenheimer	\$ 31,730	-5.9% (99)	12.4% (31)	16.9% (65)	N/A	0.65%
Systematic	\$ 24,738	-1.5% (60)	18.9% (5)	20.6% (18)	N/A	0.50%
Mid Value Median		-1.3%	11.0%	17.8%	9.9%	
Russell Mid Cap Value		-0.6%	14.3%	22.1%	13.0%	
Mid Cap Growth						
Mastrapasqua*	\$ 56,495	-8.4% (91)	10.7% (66)	N/A	N/A	0.50%
Mid Growth Median		-5.5%	12.5%	14.7%	3.0%	
Russell Mid Cap Growth		-4.7%	13.0%	16.9%	4.8%	
Small Cap Value						
Barrow Hanley	\$ 31,762	-2.6% (31)	22.9% (5)	N/A	N/A	0.63%
Small Cap Value Median		-3.3%	12.6%	19.2%	12.1%	
Russell 2000 Value		-2.7%	14.6%	21.0%	13.1%	
Small Cap Growth						
Nicholas Applegate	\$ 30,132	-5.8% (33)	28.3% (1)	21.9% (5)	5.4% (36)	0.48%
Small Growth Median		-6.7%	12.3%	15.5%	4.1%	
Russell 2000 Growth		-7.3%	14.6%	16.3%	3.5%	

Manager	Assets (Thousands)	Qtr	1 Year Trailing	3 Year Trailing	5 yr Trailing	Current Fees
International Equity						
NWQ	\$ 75,992	0.0% (53)	26.4% (52)	N/A	N/A	0.62%
<i>International Value Median</i>		0.0%	26.7%	25.0%	12.5%	
<i>MSCI EAFE Value</i>		1.5%	27.8%	27.4%	12.4%	
Marvin & Palmer	\$ 74,357	-2.3% (58)	25.9% (66)	18.7% (87)	N/A	0.60%
<i>International Growth Median</i>		-2.1%	27.0%	22.2%	9.2%	
<i>MSCI EAFE Growth</i>		0.4%	26.3%	21.4%	8.5%	
Equity Composites						
Large Cap Composite	\$ 350,845	-1.8% (37)	10.7% (25)	13.6% (14)	3.1% (30)	0.28%
Mid Cap Composite	\$ 112,963	-6.2% (95)	13.1% (34)	15.8% (58)	N/A	0.54%
Small Cap Composite	\$ 61,894	-4.2% (42)	25.5% (6)	22.6% (16)	13.2% (19)	0.55%
Domestic Composite		-3.0% (51)	12.8% (31)	15.2% (35)	5.1% (38)	
<i>Domestic Equity Median</i>		-3.0%	10.1%	12.8%	3.5%	
<i>Russell 3000</i>		-2.0%	9.6%	12.6%	3.5%	
International Composite	\$ 150,349	-1.2% (50)	26.0% (64)	21.0% (75)	8.9% (63)	0.61%
<i>International Equity Median</i>		-1.2%	27.3%	23.8%	10.4%	
<i>MSCI EAFE</i>		0.9%	27.1%	24.4%	10.4%	
Total Equity Composite	\$ 676,050	-2.6% (65)	15.5% (78)	16.3% (64)	4.7% (64)	0.42%
<i>Total Equity Median</i>		-1.8%	18.0%	18.1%	6.8%	
<i>80% Russ 3000 / 20% MSCI EAFE</i>		-1.4%	12.9%	14.9%	4.9%	
Fixed Income						
Northern Lehman Agg	\$ 232,721	-0.1% (48)	-0.8% (78)	2.0% (53)	N/A (30)	0.04%
Northern TIPS	\$ 27,408	0.5% (16)	-1.4% (90)	N/A	N/A	0.04%
Total Fixed Income	\$ 260,129	0.0% (42)	-0.9% (81)	2.1% (52)	4.8% (29)	0.04%
Cash	\$ 7,189	1.1%	4.1%			
<i>Fixed Income Median</i>		-0.1%	0.3%	2.1%	4.2%	
<i>Lehman Aggregate</i>		-0.1%	-0.8%	2.1%	5.0%	
<i>Lehman TIPS</i>		0.5%	-1.6%	3.8%	7.0%	
Total Fund						
Total Fund (less equitization)	\$ 943,368	-1.9% (58)	10.6% (79)	12.1% (60)	N/A	0.31%
Total Fund*	\$ 944,545	-1.9%	10.6%	N/A	N/A	
<i>Balanced Median</i>		-1.3%	12.7%	13.3%	6.0%	
<i>Policy Weight Index:</i>		-1.0%	8.7%	11.0%	5.2%	
56% Russell 3000						
14% MSCI EAFE						
30% Lehman Agg						

*Clearwater has been in place since May 2004



	Style	Size
○ Broad Market	-.10	.40
□ Benchmark	.15	.37
△ EFIB - Domestic Total	.05	.21
▽ Barrow Hanley	-0.02	-0.75
× INTECH	0.14	0.44
+ LSV	-0.81	0.42
* Mastrapasqua	0.34	-0.54
□ MetWest	-0.09	0.22
▲ Nicholas Applegate	0.57	-0.79
● Northern Indices	-0.25	0.55
◆ Oppenheimer	-0.01	-0.66
▼ Sands Capital	0.87	0.18
◇ Systematic	-0.32	-0.61

Metropolitan West: Large Cap Value (*Team approach, Return on Capital focus, ~ 40 stocks*)

Quarter Value Added: +2.1%

[Recommendations: Hold](#)

Portfolio Positives:

Portfolio Negatives:

Stock selection: staples, energy, consumer disc.

Stock selection: technology

Sector allocation: financials

Commentary: During the first quarter Metropolitan West sold a majority stake in the firm to Evergreen Asset Management. We can expect this to increase distribution of the large cap value product. We have observed no changes in the investment team or process

LSV: Large Cap Value (*Quantitative approach, diversified portfolio: sector limited, ~ 100 stocks*)

Quarter Value Added: -0.2%

[Recommendations: Hold](#)

Portfolio Positives:

Portfolio Negatives:

Stock selection: industrials, technology

Stock selection: consumer discretionary

Commentary: They continue to remain closed to new accounts, however existing clients may add funds. Two additional employees were added to the partnership at the beginning of last quarter.

Sands Capital Management: Large Cap Growth (*Long-term Earnings Focus, ~ 25 stocks*)

Quarter Value Added: -3.7%

[Recommendations: Hold](#)

Portfolio Positives:

Portfolio Negatives:

Stock selection: Google, Chicago Mercantile,
Starbucks

Stock selection: eBay, Qualcomm, Red Hat, Teva
Pharmaceutical

INTECH: Large Cap Growth (*Mathematical based approach using market volatility, ~ 130 stocks*)

Quarter Value Added: -0.6%

[Recommendations: Hold](#)

Oppenheimer: Mid Cap Value (*Process combines screens w/ traditional research, ~60 stocks*)

Quarter Value Added: **-5.3%**

Recommendations: **Watch**

Portfolio Positives:

Stock selection: financials

Sector allocation: industrials

Portfolio Negatives:

Stock selection: energy, industrials, consumer discretionary

Commentary: Management struggled during the second quarter. Attribution showed the manager to add value in only one of the ten sectors (financials). Both stock selection and sector allocation had a net negative effect, stock selection being the worst. Although the manager produced a strong fiscal year return (vs. the peer group) they remain behind the benchmark by nearly 2%. They will remain on the watch list.

Systematic: Mid Cap Value (*Quant/fundamental approach, catalyst/value focused, ~ 70 stocks*)

Quarter Value Added: **-0.9%**

Recommendations: **Hold**

Portfolio Positives:

Stock selection: staples

Portfolio Negatives:

Stock selection: financials, energy, consumer disc.

Commentary: During the first quarter Frank McGee, the firms Chief Operating Officer, retired. The firm has hired Karen Kohler, the previous Chief Compliance & Administrative Officer for Jennison Associates, to replace Frank. Frank will continue to function as support to ensure a smooth transition.

Mastrapasqua: Mid Cap Growth (*Top-down economic/sector approach, fundamental analysis: GRAD points, ~ 40 stocks*)

Quarter Value Added: **-3.7%**

Recommendations: **Watch**

Portfolio Positives:

Sector allocation: energy

Portfolio Negatives:

Stock selection: health care, technology

Commentary: During the quarter the firms COO Tad Trantum left the firm. In addition, research analyst Josh Trantum resigned effective July 1st to pursue opportunities in another field. He was replaced by McCauley Pendergrast who has experience in investment banking and possess a MBA from Vanderbilt. We believe that while these changes are significant, the state of the firm remains stable. We will continue to monitor the firm closely, however we recommend they be placed on watch list.

Barrow Hanley: Small Cap Value (*Relative/absolute value, normalize earnings focus, ~40 stocks*)

Quarter Value Added: +0.1%

Recommendations: Hold

Portfolio Positives:

Portfolio Negatives:

Stock selection: Kirby Corp, Mentor Graphics

Stock selection: Dollar General, Men Wearhouse

Commentary: The Barrow Hanley Small Cap Value product remains closed to new investors.

Nicholas Applegate: Small Cap Growth (*Quant. Screens w/ traditional research, 100-150 stocks*)

Quarter Value Added: +1.5%

Recommendations: Hold

Portfolio Positives:

Portfolio Negatives:

Stock selection: staples, industrials, energy

Sector allocation: healthcare

Commentary: On March 9th six core members of the Systematic Team (including team leader Stacey Nut) left the firm to start their own firm, however assets have stabilized across the systematic strategies. In addition, Nicholas Applegate has reached its goal of replacing three systematic team members.

Marvin & Palmer: Intl. Equity Growth (*momentum factor model, fund. analysis, 60-120 stocks*)

Quarter Value Added: -2.7%

Recommendations: Watch

Portfolio Positives:

Portfolio Negatives:

Stock selection: China

Country weighting: Japan, UK

Commentary: Although Marvin & Palmer performed well for the fiscal year (returning over 26%), they lagged their peer group and benchmark. Recent research conducted by Marvin & Palmer was utilized in the second quarter to determine the type of market environment that currently exists. This allowed Marvin & Palmer to identify a minor rotation and reposition themselves to a more sector neutral stance.

NWQ: Intl. Equity Value (*Team approach, bottom-up, fundamental analysis, ~ 40 stocks*)

Quarter Value Added: -1.5%

Recommendations: Hold

Portfolio Positives:

Portfolio Negatives:

Stock selection: Japan, health care

Stock selection: consumer discretionary, Germany

Commentary: The international team was moved to a new affiliate Tradewinds NWQ Global Investors, however the affiliate will remain part of Nuveen Investments. We will continue to monitor the progress and implementation of this new group within Nuveen.